

## Press Release

### Shiv Gorakh Timber Private Limited (SGTPL)

May 08, 2017

#### Rating Assigned & Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.12.25 Cr (Enhanced from Rs.11.25 Cr.)
<b>Long Term Rating</b>	SMERA B+/Stable (Assigned & Reaffirmed)
<b>Short Term rating</b>	SMERA A4 (Reaffirmed)

\*Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed the long-term ratings of '**SMERA B+**' (read as **SMERA B plus**) and short-term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.11.25 crore bank facility. SMERA has also assigned rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.1.00 crore proposed long term bank facility of Shiv Gorakh Timber Private Limited (SGTPL). The outlook is '**Stable**'.

Shiv Gorakh Timber Private Limited (SGTPL) was established in 2010 by Mr. Devender Mittal and Mr. Ravinder Kumar. The company is engaged in the trading of timber and is based out of Karnal (Haryana). The company procures wood logs from Malaysia, Canada, Germany and USA and sells the same in the domestic market.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experienced management:** SGTPL benefits from its experienced management. Mr. Devender Mittal and Mr. Ravinder Kumar, possess around a decades experience in the timber industry which has helped develop long term relations with customers.

**Moderate financial risk profile:** SGTPL has moderate financial risk profile marked by comfortable gearing, moderate networth base and modest debt protection metrics. The company has comfortable gearing at 0.21 times in FY2015-16 against 0.13 times in FY2014-15. The interest coverage ratio stood at 1.16 times in FY2015-16 against 1.17 times in FY2014-15. The networth stood at Rs.3.30 cr in FY2015-16 against Rs.3.15 cr in FY2014-15. The improvement in networth is on account of conversion of Rs.1.54 cr of unsecured loans into quasi equity in FY2015-16 against Rs.1.46 cr in FY2014-15. The net cash accrual (NCA)/total debt (TD) stood at 0.13 times in FY2015-16 against 0.26 times in FY2014-15.

##### Weaknesses:

**Stretched working capital cycle:** The company has stretched working capital cycle. The GCA days of the company has been high at 179 days in FY2015-16 as compared to 173 days in FY2014-15. The increase in GCA days is evident from the increase in inventory days from 44 in FY2014-15 to 72 in FY2015-16. The debtors days stood at 103 days in FY2016 against 120 days in FY2015.

**Susceptibility of profit margins to raw material prices:** The profit margins are susceptible to fluctuations in the raw material prices of timber.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the company.

#### Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

## Outlook: Stable

SMERA believes that SGTPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of sustainable improvement in revenue and profitability metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

## About the Rated Entity

Shiv Gorakh Timber Private Limited (SGTPL) was established in 2010 by Mr. Devender Mittal to trade in timber. The company procures logs from Malaysia, Canada, Germany and USA and sells the same in the domestic market.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.06 cr on operating income of Rs.25.22 cr, as compared with PAT of Rs.0.06 cr on operating income of Rs.25.86 cr in FY2014-15. The net worth stood at Rs.3.30 cr (included quasi equity of Rs.1.54 cr) as on March 31, 2016 against Rs.3.15 cr (included quasi equity of Rs.1.46 cr) a year earlier.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

## Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	1.25	SMERA B+ /Stable (Reaffirmed)	March 08, 2016	SMERA B+ /Stable (Assigned)	-	-	-	-
Letter of Credit	ST	10.00	SMERA A4 (Reaffirmed)	March 08, 2016	SMERA A4 (Assigned)	-	-	-	-
Proposed long Term	LT	1.00	SMERA B+ /Stable (Assigned)	-	-	-	-	-	-

## \*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	1.25	SMERA B+ /Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	10.00	SMERA A4 (Reaffirmed)
Proposed long Term	N.A	N.A	N.A	1.00	SMERA B+ /Stable (Assigned)

## Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>.

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**ABOUT SMERA**

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